

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 2044 - HB 2360

March 14, 2016

SUMMARY OF BILL: Prohibits virtual schools from operating after July 1, 2016. Makes other changes to various provisions of Tennessee Code Annotated to effectuate this change.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The Union County local education agency (LEA) will realize a decrease in state BEP funds in FY17-18 and subsequent years in an amount estimated to exceed \$3,400,900 as a result of fewer students attending the Tennessee Virtual Academy. Any change in expenditures for Union County, resulting from a reduction in Union County's required maintenance of effort, will be permissive and dependent upon the funding decision by Union County.

There will also be a recurring shift in state BEP funds of \$3,400,900 beginning in FY17-18 from the Union County LEA to other LEAs as students currently attending the Tennessee Virtual Academy enroll in their home LEA or another LEA. Any such shift cannot be reasonably quantified and is dependent upon which LEA the students elect to attend.

There are other virtual schools that are operating as regular LEA schools in other counties that will be closed as a result of this bill. There will be a recurring shift in state and local BEP funding within each LEA, any net impact will be not significant.

Assumptions relative to the Union County LEA:

- Any change in state BEP funding will not take place until FY17-18 because such funding is made available one year after any change in student population.
- Based on information from the Department of Education (DOE), Union County's Tennessee Virtual Academy school is the only virtual school that accepts out-of-district residents.
- The Union County LEA will have a reduction in state BEP funding, beginning in FY17-18 as a result of the Tennessee Virtual Academy closing in FY16-17. Based on information from the DOE, there are at least 597 students zoned for other LEAs outside Union County who currently attending the Tennessee Virtual Academy. The BEP

formula allocated approximately \$3,400,900 to students attending the Tennessee Virtual Academy in FY16-17. The reduction in state expenditures and corresponding local revenue for Union County as a result of this bill is estimated to exceed \$3,400,900 in FY17-18 and subsequent fiscal years.

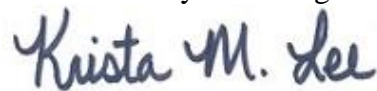
- Any resulting decrease in local BEP match funding for the Union County LEA is unknown and would be at the discretion of Union County; therefore, any permissive decrease in local government expenditures is unknown and cannot be reasonably quantified.
- Any change in state BEP funding is dependent upon multiple unknown factors, including but not limited to, which LEAs students transfer, the precise number of students transferring into any single LEA, and the BEP per pupil expenditure of the LEA receiving the transfer student.
- Local expenditures for any LEA receiving out-of-district Academy students will be not significant because the majority of LEAs are currently funding their schools above and beyond what the BEP funding formula requires and further because LEAs have students transferring in and out each year so receipt of these students would not be outside the normal course of business.

Assumptions for non-Union County LEAs:

- Based on information from the DOE, there are eight virtual schools operating outside Union County that are treated by their respective LEAs as regular public schools.
- Students attending these schools are regular enrollees and it is assumed that they will transfer to another regular public school within their home LEA. As such, any shift in BEP funding or other funding will be within the LEA.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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